

Message Text

UNCLASSIFIED

PAGE 01 CAIRO 06879 251333Z
ACTION COME-00

INFO OCT-01 NEA-10 ISO-00 L-03 AID-05 CIAE-00 EB-08
FRB-01 INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04
OPIC-06 SP-02 OMB-01 /063 W
-----251353Z 108012 /45

R 250914Z APR 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 4241
INFO AMCONSUL ALEXANDRIA

UNCLAS CAIRO 6879

DEPARTMENT PASS AID-SER/COM

E.O. 11652: NA
TAGS: BEXP, EG
SUBJ: GOE POSITION ON CREDIT FACILITIES

REF: (A) ALEXANDRIA A-008 (B) STATE 082124

1. SUMMARY: ORIGIN OF GOE CREDIT FACILITIES "REQUIREMENT"
APPEARS BE DOCUMENT ISSUED IN 1971. ALTHOUGH STATED AS RE-
QUIREMENT, EXCEPTIONS CAN BE AND ARE MADE. SUPPLIERS OFFER-
ING CREDIT TERMS, HOWEVER, OBVIOUSLY HAVE BETTER CHANCE OF
WINNING BIDS AND U.S. FIRMS AND THEIR AGENTS FREQUENTLY COM-
PLAIN ABOUT DIFFICULTIES OF MEETING FOREIGN COMETITION IN
TERMS OF BEING ABLE TO OFFER FINANCING. END SUMMARY

2. EMBASSY UNDERSTANDS THAT ORIGIN OF GOE "REQUIREMENT" FOR
CREDIT FACILITIES OF TYPE INDICATED REF A IS 1971 DOCUMENT
ISSUED BY THEN-MINISTRY OF ECONOMY AND FOREIGN TRADE. WE
HAVE OBTAINED COPY OF DOCUMENT -- WHICH IS NEITHER A LAW NOR
A DECREE, BUT AN UNNUMBERED "INSTRUCTION"-- AND ARE POUCHING
INFORMAL TRANSLATION TO NEA/EGY AND USDOC (CAGNE). GOFI,
MINFIN, AND MINECON SOURCES CONTACTED WERE UNAWARE OF ANY
RECENT DECREE OR REGULATION ON SUBJECT WHICH WOULD HAVE TAKEN
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 CAIRO 06879 251333Z

EFFECT JANUARY 1 AND WOULD HAVE STRENGTHENED ENFORCEMENT OF
"REQUIREMENT".

3. 1971 INSTRUCTION DEALS-WITH CREDIT FACILITIES FOR IMPORT OF
CAPITAL GOODS. REFERRING TO IMPORTS OF SUCH GOODS FROM HARD CUR-
RENCY COUNTRIES OR OUTSIDE THE EXISTING PROTOCOLS FOR PAYMENTS
AGREE-COUNTRIES, IT SIMPLY STATES WHAT THE CREDIT FACILITIES

"ARE TO BE", AND THEREFORE APPEARS TO "REQUIRE" COMPLIANCE. GOE OFFICIALS INDICATED, HOWEVER, THAT EXCEPTIONS CAN BE AND ARE MADE. WE HAVE NO SPECIFIC INFORMATION ON DIFFERENCES OF IMPLEMENTATION AMONG GOE AGENCIES AND PUBLIC COMPANIES.

4. AS WE UNDERSTAND IT , GOE ROUTINELY CALLS FOR CREDIT TERMS OF TYPE DESCRIBED REF A, IN ITS TENDERS FOR PROCUREMENT OF CAPITAL EQUIPMENT. A WOULD-BE SUPPLIER WOULD NOT NECESSARILY BE AUTOMATICALLY ELIMINATED, HOWEVER, EVEN IF HE OFFERED LESS FAVORABLE TERMS OR NONE AT ALL. THIS IS BECAUSE GOE, INSTEAD OF MAKING FINAL DECISION IMMEDIATELY AFTER OPENING OF BIDS, OFTEN NEGOTIATES FURTHER WITH COMANIES WHICH APPEAR TO HAVE APRESENTED BEST OFFERS. DOWN PAYMENT AND LENGTH OF FINANCING TERM OFFERED -- THE REQUIREMENTS REFERRED TO IN REF A-- ARE NOT THE ONLY FACTORS. PRICE, INTEREST RATE, FOR EXAMPLE, AND TECHNICAL ASPECTS ARE ALSO CONSIDERED.

5. SELECTION OF THE OFFER EVENTUALLY ACCEPTED WILL DEPEND ON MIX OF FACTORS INCLUDING PRICE CREDIT ARRANGEMENTS (AMOUNT OF FINANCING, LENGTH OF TERM, AND INTEREST RATE), THE NUMBER AND SUBSTANCE OF THE OFFERS PRESENTED BY COMPETITORS, QUALITY AND TECHNOLOGICAL FACTORS, DELIVERY TIMES, ETC. IF TENDERING AUTHORITY WISHES TO ACCEPT OFFER NOT MEETING CREDIT TERMS SPECIFIED REF A, IT CAN APPLY TO MINECON FOR AN EXCEPTION.

6. IT IS NOT UNUSUAL FOR COUNTRIES MAKING PURCHASES OF BIG-TICKET CAPITAL ITEMS, EVEN COUNTRIES WITH NO SHORTAGE OF CASH, TO REQUEST OR REQUIRE CREDIT TERMS. ONE REASON FOR THIS IS TO HELP INSURE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 CAIRO 06879 251333Z

QUALITY OF WHAT IS PROVIDED AND TO HAVE SOME RECOURSE IF GOODS PROVE FAULTY. IN A LARGE CAPITAL PROJECT, INVOLVING CONSTRUCTION AS WELL AS EQUIPMENT, FINANCING OVER PERIOD OF YEARS WOULD ALMOST CERTAINLY BE REQUIRED.

7. WHILE CREDIT FACILITIES OUTLINED REF A ARE NOT ABSOLUTE REQUIREMENT IN OBTAINING CONTRACT, IT IS OBVIOUS THAT SUPPLIERS IN A POSITION TO OFFER TERMS WILL HAVE MUCH BETTER CHANCE OF WINNING BIDS THAN THOSE WHO ARE NOT. IN THIS CONNECTION, EMBASSY OFTEN HEARS COMPLAINTS FROM POTENTIAL AMERICAN SUPPLIERS AND THEIR AGENTS ABOUT THE DIFFICULTY OF OBTAINING CREDIT FACILITIES TO OFFER GOE WHEN COMPANIES BID ON TENDERS AND CONTRACTS. REPRESENTATIVES OF AMERICAN - AFFILIATED BANKS WITH WHOM WE HAVE SPOKEN, FOR EXAMPLE, SAID THEY WERE RELUCTANT TO PROVIDE CAPITAL GOODS FINANCING FOR AS LONG A 3 YEARS AND USUALLY WANTED MUCH SHORTER TERM. ONLY IN MOST EXCEPTIONAL CASES WOULD 5 YEARS BE CONSIDERED.

8. BOTH BANKERS AND BUSINESSMENT EXPRESSED VIEW THAT ONLY IF

EXPORT-IMPORT BANK PARTICIPATED IN TRANSACTION BY, FOR EXAMPLE,
PICKING UP LONGER MATURITIES IN A FINANCING PACKAGE,
COULD AMERICAN SUPPLIERS IN MOST CASES BE COMPETITIVE.
THEY DREW CONTRAST BETWEEN GREAT DIFFICULTY OF OBTAINING
EX-IM BANK FINANCING AND RELATIVELY EASY AVAILABILITY OF
FINANCING TO COMPETITORS FROM OTHER COUNTRIES WHOSE
NATIONAL EXPORT FINANCING AGENCIES ALLOCATE LARGE AMOUNTS
OF CREDIT TO PARTICULAR RECIPIENT COUNTRIES, SUCH AS EGYPT,
WHICH CAN THEN BE DRAWN UPON FOR ANY AGREED PROCUREMENT
FROM THE FINANCING COUNTRY. ONE US FIRM HERE, WHICH WAS
INVOLVED IN LARGE CAPITAL PROJECT COSTING TENS OF MILLIONS OF
DOLLARS COMPLAINED AT LENGTH ABOUT "IMPOSSIBILITY" OF
OBTAINING EX-IM BANK FINANCING. FIRM HAD EVENTUALLY SWITCHED
SOURCE OF MOST OF EQUIPMENT TO JAPAN IN ORDER TAKE ADVANTAGE
OF EXISTING LINE OF JAPANESE EXPORT CREDIT FOR EGYPT. THIS
IS EXAMPLE OF FINANCING PROBLEM AS PERCEIVED BY MANY FIRMS.
EILTS

UNCLASSIFIED

UNCLASSIFIED

PAGE 04 CAIRO 06879 251333Z

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Sent Date: 25-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01-Jan-1960 12:00:00 am
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO06879
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770143-0673
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770424/aaaaauhj.tel
Line Count: 139
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 80db16a0-c288-dd11-92da-001cc4696bcc
Office: ACTION COME
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 77 ALEXANDRIA A-8, 77 STATE 82124
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2709323
Secure: OPEN
Status: NATIVE
Subject: GOE POSITION ON CREDIT FACILITIES
TAGS: BEXP, EG
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/80db16a0-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009